

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY CLERK

For The Year Ended
December 31, 2003

The Auditor of Public Accounts has completed the Jefferson County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Fee account balances in the 75% operating fund increased by \$2,587,156 from the prior year, resulting in a cash surplus of \$2,587,156 as of December 31, 2003. Revenues in this fund increased by \$1,330,955 from the prior year and expenditures decreased by \$3,504,348.

Debt Obligations:

The Clerk's office is responsible for the following leases:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31,</u>
Copy Machine	\$ 814	60 Months	1/27/2005	\$ 9,768
Copy Machine	236	48 Months	6/21/2004	1,180
Postage Machine	175	72 Months	5/30/2006	4,900
Postage Machine	649	48 Months	3/30/2004	1,304
Cash Link System-West	1,001	6 Months	1/21/2004	1,001
Cash Link System-Dixie	<u>1,151</u>	6 Months	1/21/2004	<u>2,302</u>
Totals	<u>\$ 4,026</u>			<u>\$ 20,455</u>

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Jefferson County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Jefferson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 8, 2004

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Grants- Library and Archives		\$	25,099	
State Fees For Services			273,690	*
Metro Government			134,312	*
Licenses and Taxes:				
Motor Vehicle-				
Licenses and Transfers	\$	14,253,892		
Usage Tax		67,748,740		
Tangible Personal Property Tax		52,860,019		
Licenses-				
Marriage		204,431		
Beer and Liquor		987		
Beer and Liquor (Reimbursed)		446	*	
Shelter For Spouse Abuse		55,760		
Deed Transfer Tax		3,503,166		
Delinquent Taxes		19,330,662		
Delinquent Taxes (Reimbursed)		5,608	*	157,963,711
Fees Collected for Services:				
Recordings-				
Deeds, Easements, and Contracts		443,733		
Real Estate Mortgages		1,171,922		
Chattel Mortgages and Financing Statements		1,373,392		
Powers of Attorney		59,650		
Bail Bonds		4,141		
Tax Liens		166,748		
Extra Pages		1,689,059		
Assignments		134,472		
All Other Recordings		11,701		
Releases		827,430		
Probate		27,176		
Lien Holder Penalties		29,413		
Corporation and Business		68,616		6,007,453

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

Revenues (Continued)

Other Receipts:

Candidate Filing Fees	\$	810	
Certified Copies		23,832	
Interest Income		73,008	
Legal Records - Clerk Expense		107	
Legal Records - Clerk Expense (Reimbursed)		420,568	*
Phone/Fax		75	*
Notary		343,169	*
Postage		199,317	*
Tracing		9,626	*
Photosat		23,771	*
Motor Vehicle - Miscellaneous		167,588	
Motor Vehicle - Miscellaneous (Reimbursed)		(8,480)	*
Returned Check Fees		13,699	*
Library		25	
County Attorney Returned Check Fee		9,370	
Miscellaneous (Reimbursed)		27,918	*
		<u>27,918</u>	* \$ 1,304,403

Total Revenue \$ 165,708,668

Expenditures

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	10,633,334	
Usage Tax		65,713,756	
Tangible Personal Property Tax		20,934,677	
Delinquent Tax		2,073,163	
Legal Process Tax		637,469	
Candidate Filing Fees		<u>430</u>	99,992,829

Payments to Metro Government:

Tangible Personal Property Tax	5,890,674	
Delinquent Tax	2,115,754	
Deed Transfer Tax	3,328,008	
Beer and Liquor Licenses	<u>960</u>	11,335,396

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

Expenditures (Continued)

Payments to Other Districts:

Tangible Personal Property Tax	\$ 23,920,316	
Delinquent Tax	<u>10,910,390</u>	\$ 34,830,706

Payments to Sheriff		82,054
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Payments to County Attorney:

Delinquent Tax	2,652,239	
Returned Check Fees	<u>9,370</u>	2,661,609

Payment to Library		25
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Library and Archives Grant		25,099
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Operating Disbursements:

Other Charges-		
Bankcard Processing		<u>183,214</u>

Total Expenditures		<u>\$ 149,110,932</u>
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Net Revenues		16,597,736
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Payments to State Treasurer:

75% Operating Fund	12,809,232	
25% County Fund	<u>3,788,504</u>	<u>16,597,736</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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* Includes reimbursed expenses in the amount of \$1,443,719 for the audit period. See Note 1. of Notes to Financial Statements

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$ 0	\$ 0	\$ 0
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	12,809,232		12,809,232
Fees Paid to State - County Funds (25%)		3,788,504	3,788,504
Total Funds Available	<u>\$ 12,809,232</u>	<u>\$ 3,788,504</u>	<u>\$ 16,597,736</u>
<u>Expenditures</u>			
Louisville/Jefferson County Metro Government	\$	\$ 3,516,505	\$ 3,516,505
Official's Statutory Maximum	91,076		91,076
Incentive Pay	3,086		3,086
County Clerk's Expense Allowance	3,600		3,600
Personal Services-			
Deputies' Salaries	7,092,306		7,092,306
Overtime	121,818		121,818
Employee Cash Out	36,084		36,084
Employee Benefits-			
Employer's Share Social Security	510,253		510,253
Employer's Share Retirement	498,403		498,403
Employer's Paid Health Insurance	635,963		635,963
Employee Assistance Program	5,198		5,198
Unemployment Insurance	25,693		25,693
Occupancy-			
Telephone	63,447		63,447
Mileage and Gasoline - Delivery	11,350		11,350
Maintenance and Repairs	84,067		84,067
Services-			
Personal Services Contract	199,342		199,342
Security Services	48,249		48,249
Janitorial	36,200		36,200

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures (Continued)</u>			
Services-(Continued)			
Pager Service	\$ 2,232	\$	\$ 2,232
Printing	43,908		43,908
Temporary Agencies	22,675		22,675
Advertising	1,856		1,856
Supplies-			
Postage	214,817		214,817
Office Expense	128,218		128,218
Rental/Leases-Equipment	93,546		93,546
Meetings	10,484		10,484
Seminars	24,757		24,757
Tuition	9,505		9,505
Other Operating-			
Insurance and Bonds	32,305		32,305
Notary Bonds	839		839
Memberships Dues	17,367		17,367
Subscriptions	9,383		9,383
Capital Outlay-			
Furniture and Fixtures	21,480		21,480
Remolding and Renovations	15,187		15,187
Office Equipment	16,970		16,970
Computer Software	22,068		22,068
Computer Equipment	68,344		68,344
Total Expenditures	<u>\$ 10,222,076</u>	<u>\$ 3,516,505</u>	<u>\$ 13,738,581</u>
Fund Balance - December 31, 2003	<u>\$ 2,587,156</u>	<u>\$ 271,999</u>	<u>\$ 2,859,155</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenues in the 75 percent fund.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond(s) which named the County Clerk as beneficiary/obligee on the bond(s).

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003
(Continued)

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$15,817 in 2003. There was a beginning balance of \$9,282 from another grant, received in 2002. Funds totaling \$25,099 were expended during the year. There is no unexpended grant balance as of December 31, 2003.

Note 5. Leases

Commitments to the following lease agreements as of December 31, 2003 are:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2003
Copy Machine	\$ 814	60 Months	1/27/2005	\$ 9,768
Copy Machine	236	48 Months	6/21/2004	1,180
Postage Machine	175	72 Months	5/30/2006	4,900
Postage Machine	649	48 Months	3/30/2004	1,304
Cash Link System-West	1,001	6 Months	1/21/2004	1,001
Cash Link System-Dixie	1,151	6 Months	1/21/2004	2,302
Totals	<u>\$ 4,026</u>			<u>\$ 20,455</u>

Note 6. Going Out of Business Account

This account is used for companies who must post a bond when they have a going out of business sale. After the sale the bond may be released to the company. The account had receipts of \$1,142 and disbursements of \$1,000 for 2003. The account had a balance of \$24,231 as of December 31, 2003.

Note 7. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 Bankruptcy Trustee. The payments from the trustee are for tangible property tax due the state or clerk or for delinquent property tax owed. The account had receipts of \$562 for 2003. The account had a balance of \$78,943 as of December 31, 2003.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Jefferson County Clerk for the year ended December 31, 2003, and have issued our report thereon dated June 8, 2004. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 8, 2004

